

Message Text

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TAGS: PINT, ECON, DA.

SUBJ: COMPROMISE REACHED ON GOVERNMENT PROGRAM

REF: COPENHAGEN 342

SUMMARY: PRIMIN HARTLING'S MODERATE LIBERAL GOVERNMENT
REACHED AGREEMENT FEB 8 WITH OPPOSITION SOCIAL DEMOCRATIC
PARTY (SDP) ON OUTLINE OF A COMPROMISE ECONOMIC PROGRAM.

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ALTHOUGH GOVERNMENT WAS FORCED TO ACCEPT ALMOST ALL

SDP DEMANDS, IT HAS SURVIVED PRESENT CRISIS AND MAY WELL CONTINUE "ADMINSTERING" THE COUNTRY FOR SOME TIME, PERHAPS THE NEXT YEAR. END SUMMARY.

1. PRIMIN POUL HARTLING MADE TELEVISED ANNOUNCEMENT EVENING FEB 7 THAT A "HISTORIC" MODERATE LIBERAL-SOCIAL DEMOCRATIC COMPROMISE HAD BEEN REACHED ON OUTLINE OF THE COMING YEAR'S ECONOMIC PROGRAM. AS A CONSEQUENCE, HE SAID, ELECTIONS WOULD NOT BE NECESSARY BECAUSE GOVERNMENT HAD ASSURED ITSELF OF MAJORITY SUPPORT FOR PROGRAM. PRIMIN SPOKE PREMATURELY, IT LATER APPEARED, WHEN SOCIAL DEMOCRATIC PARTY LEADER ANKER JORGENSEN DENIED THAT AGREEMENT HAD BEEN REACHED AND SPECIFIED THREE UNRESOLVED SOCIAL DEMOCRATIC CONDITIONS FOR APPROVING THE AGREEMENT.

2. AT A SUPPLEMENTARY NEGOTIATING SESSION THIS MORNING, HOWEVER, MODERATE LIBERALS CONCEDED SUBSTANCE OF REMAINING SDP DEMANDS: (1) AN INCREASE IN COROPRATE TAXES, (2) CONINUATION OF A TWO AND A HALF PER CENT TAX ON SALE OF REAL PROPERTY, AND (3) WITHDRAWAL OF THE GOVERNMENT'S PROPOSAL FOR TAX REDUCTION ON AGRICULTURAL LAND. ON LAST POINT THE SOCIAL DEMOCRATS AGREED TO PERMIT GOVERNMENT TO INTRODUCE THE LEGISLATION, ON THE CONDITION THAT IT WAS UNDERSTOOD THAT THE BILL WOULD BE VOTED DOWN IN PARLIAMENT. WITH THESE CONCESSIONS, HARLING'S PREMATURE ANNOUNCEMENT WAS VALIDATED AND MODERATE LIBERAL GOVERNMENT OBTAINED ASSURANCE OF PARLIAMENTARY BACKING FOR COMPROMISE PROGRAM.

3. MAJOR ELEMENTS OF THE COMPROMISE PROGRAM ARE AS FOLLOWS: (A) THE THREE COST-OF-LIVING WAGE INCREMENTS WILL BE PAID IN ACCORDANCE WITH COLLECTIVE WAGE CONTRACTS, BUT INFLATIONARY EFFECT IS TO BE OFFSET BY A SYSTEM OF FORCED SAVINGS ON HIGHER INCOMES. (THREE PER CENT OF INCOMES BETWEEN 47 AND 80 THOUSAND KRONER - 7 TO 12 THOUSAND DOLLARS, SIX PER CENT OF INCOMES OVER 80 THOUSAND AND NINE PER CENT OVER 120 THOUSAND KRONER 18 THOUSAND DOLLARS.) SAVINGS HAVE TO BE PLACED IN SPECIAL BANK ACCOUNTS AND FROZEN FOR UP TO LIMITED OFFICIAL USE

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FIVE YEARS. (B) AS COMPENSATION TO EMPLOYERS, WHO WILL HAVE TO PAY COST-OF-LIVING INCREMENTS, GOVERNMENT WILL PAY DIRECT QUARTERLY SUBSIDIES AMOUNTING OVER THE NEXT YEAR TO APPROXIMATELY 2400 KRONER (\$365) PER EMPLOYEE FOR A TOTAL SUBVENTION TO EMPLOYERS OF 1.9 BILLION KRONER (300 MILLION DOLLARS). (C) GOVERNMENT EXPEDITURES WILL BE REDUCED BY 1,550 MILLION KRONER OR 230 MILLION DOLLARS. (THIS REPRESENTS A SCALING-DOWN OF THE

GOVERNMENT'S ORIGINAL PLAN TO CUT 2,900 MILLION KRONER
- 450 MILLION DOLLARS - OUT OF THE BUDGET.)

4. HARLING GOVERNMENT (22 SEATS IN PARLIAMENT), ALREADY
ASSURED OF SUPPORT FROM ITS ALLIED PARTIES, THE CENTER
DEMOCRATS (14 SEATS) AND THE CHRISTIAN PEOPLES PARTY
(7 SEATS), WILL NOW BE ABLE TO COUNT ON THE SOCIAL
DEMOCRATS' 46 SEATS, GIVING IT A ONE-VOTE
MAJORITY FOR THE COMPROMISE PROGRAM.
HARTLING THUS AVOIDED DEPENDENCE
UPON THE OTHER TWO MAJOR BOURGEOIS PARTIES, THE
RADICAL LIVERALS AND THE DECIMATED CONSERVATIVES. HE
HAS ALSO EXCLUDED GLISTRUP'S PROGRESSIVE PARTY FROM ANY
EFFECTIVE INFLUENCE ON ECONOMIC POLICY MATTERS. FROM
HIS POINT OF VIEW, THESE ARE SOLID GAINS. IF HE HAS
HAD TO PAY THE PRICE OF ACCEPTING A FUNDAMENTALLY
SOCIAL DEMOCRATIC ECONOMIC POLICY, HE CAN, AT LEAST,
TAKE CREDIT FOR HAVING FORGED AN UNUSUAL POLITICAL
PHENOMENON IN DANISH POLITICAL HISTORY - A FARMER-
LABOR ALLIANCE.
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